

**FISCAL NOTE**  
**SB 1 – HB 1**  
**FIRST EXTRAORDINARY SESSION**

January 4, 2006

**SUMMARY OF BILL:** Enacts the *Comprehensive Governmental Ethics Reform Act of 2006* as follows:

**CAMPAIGN FINANCE PROVISIONS**

- Requires more frequent filing of statement of contributions and expenditures by state and local candidates and political campaign committees and Internet posting of reports by the Registry of Election Finance (the “Registry”), including disclosure of each contributor’s occupation and employer.
- Provides civil penalties for violation of filing and disclosure requirements.
- Transfers certain enforcement authority for local candidates from county administrator of elections to the Registry.
- Establishes time limits for allocation of unexpended campaign funds.
- Gives the Registry discretion to set amount of fee for registration of multicandidate political campaign committee.
- Gives the Registry subpoena authority and authority to take testimony under oath.
- Requires the Registry to conduct audits of all significant gubernatorial and randomly selected General Assembly campaigns.
- Prohibits cash campaign contributions.
- Limits aggregate campaign contributions by an individual to \$25,000.
- Requires disclosure within 24 hours of independent campaign expenditures in excess of \$1,000 within 30 days of an election.
- Extends prohibition on fundraising by members of the General Assembly to January 1 of each year.
- Transfers enforcement of conflict of interest law and lobbyist disclosure law to the newly created Tennessee Ethics Commission.
- Caucuses made up of a majority of general assembly members must register with the Registry and report contributions and expenditures on a quarterly basis.
- Any 527 organization that expressly advocates the election or defeat of a candidate(s) must register with the Registry and is limited to accepting \$1,000 from a person per election.

## CONFLICT OF INTEREST AND LOBBYING PROVISIONS

- Creates Tennessee Ethics Commission (TEC) consisting of six members, with authority to administer conflict of interest, income disclosure, and lobbyist disclosure laws, including investigation of alleged violation of laws utilizing subpoena power and administration of oaths, punish violations through civil penalties, and to conduct ethics training seminars for public officials.
- Members serve without compensation, but receive mileage and expense reimbursement.
- Authorized to hire staff, including an executive director and legal counsel.
- Attorney General required to render opinions, give counsel, and provide investigative services to TEC.
- Electronic filing of conflict of interest and lobbying disclosure forms.
- TEC authorized to receive sworn complaints against public officials from any citizen of Tennessee, and to investigate on its own motion. Complaints referred to Attorney General for preliminary investigation.
- Authority to assess costs and opposing party's attorney's fees if TEC determines that citizen's complaint lacks probable cause.
- Requires filing of private income disclosure statements by the Governor, any member of the Governor's Cabinet, Cabinet-level staff, and spouses.
- Requires registration with TEC of lobbyists and employers of lobbyists and authorizes TEC to set the amount of lobbyist registration fee.
- Prohibits most gifts by lobbyists to public officials.
- Requires TEC to audit at least two percent of lobbyist disclosure statements each year.

### ESTIMATED FISCAL IMPACT:

Increase State Expenditures:	<u>Recurring</u>	<u>One-Time</u>	<u>Total</u>
Ethics Commission	\$ 750,000	\$150,000	\$ 900,000
Registry of Election Finance	274,500	117,000	391,500
Office of Attorney General	<u>426,400</u>		<u>426,400</u>
	<u>\$ 1,450,900</u>	<u>\$267,000</u>	<u>\$1,717,900</u>

Increase State Revenues – Exceeds \$400,000/Ethics Commission  
Exceeds \$50,000/General Fund  
\$8,000/Registry of Election Finance

Other Fiscal Impact - Transfers approximately \$41,000 in recurring funds from the Registry of Election Finance to the Ethics Commission.

Assumptions:

- No significant reduction of local government expenditures from transferring enforcement of Class One campaign violations from county election administrators to the Registry.
- Political campaign committee registration fees will increase from \$75 to \$100, generating approximately \$8,000 in additional revenue to the Registry.
- No significant additional revenue to the Registry for late filing fees from more frequent filing requirements.
- Registry will require three additional staff positions to carry out audits [\$246,000] and will incur related operating costs for audits and investigations [\$15,000]. No significant reduction in Registry expenditures from transfer of conflict of interest and lobbying law enforcement to TEC.
- Based on staffing and operating activities of commissions similar to TEC in other states, eight positions at an annual cost of \$600,000 and annual operating expenses in the amount of \$150,000 will be required. TEC staff will conduct day-to-day operations, including interaction with filers and the public, preparing and conducting ethics training, preparing ethics manuals, and participation in investigations of alleged violations of the law.
- TEC will set lobbyist annual registration at an average fee of \$200. Approximately 2,000 total lobbyists and employers of lobbyists will register, generating approximately \$400,000 in revenue used to defray expenses of TEC. Revenue generated will not defray all expenses.
- Civil penalties assessed by TEC for violation of conflict of interest and lobbyist disclosure requirements will generate an amount exceeding \$50,000, returned to the general fund.
- Attorney General will require two new attorneys, two new investigators, and two new secretary positions at a total annual cost of \$426,400 to carry out additional investigative and advisory duties.
- Provisions of the bill are effective on various dates. Fiscal impact is the estimated first full year impact.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director